

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION**

In re:)	
)	
TEXAS PELLETS, INC. ¹)	JOINTLY ADMINISTERED
)	under Case No. 16-90126
)	
Debtors.)	Chapter 11
)	
)	

**GLOBAL NOTES AND STATEMENT OF LIMITATIONS, METHODS, AND
DISCLAIMERS REGARDING DEBTORS' SCHEDULES OF ASSETS AND
LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS**

Texas Pellets, Inc. ("TPI") and German Pellets Texas, LLC ("GPTX") (collectively, the "Debtors"), as debtors and debtors in possession in the above-captioned Chapter 11 cases (the "Bankruptcy Cases"), with the assistance of their advisors, have filed their respective Schedules of Assets and Liabilities (the "Schedules") and Statements of Financial Affairs (the "Statements," and together with the Schedules, the "Schedules and Statements") with the United States Bankruptcy Court for the Eastern District of Texas (the "Bankruptcy Court"), pursuant to section 521 of Title 11 of the United States Code (the "Bankruptcy Code"), Rule 1007 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and the Local Rules of the United States Bankruptcy Court for the Eastern District of Texas (the "Local Rules").

The Debtors submit these *Global Notes and Statement of Limitations, Methodology, and Disclaimer Regarding Debtors' Schedules and Statements of Financial Affairs* (the "Global Notes"), which pertain to, are incorporated by reference in, and comprise an integral part of the Debtors' Schedules and Statements. The Global Notes should be referred to, considered, and reviewed in connection with any review of the Schedules and Statements.

The Schedules and Statements do not purport to represent financial statements prepared according to Generally Accepted Accounting Principles in the United States ("GAAP"), nor are they intended to be fully reconciled with the financial statements of each Debtor (if such statements are prepared). The Schedules and Statements also contain unaudited information that is subject to further review and potential adjustment and reflect the Debtors' reasonable best efforts to report the assets and liabilities of each Debtor on an unconsolidated basis.

While commercially reasonable efforts have been made to provide accurate and complete information herein, inadvertent errors or omissions may exist. In no event shall the Debtors or their agents, attorneys and financial advisors be liable to any third party for any direct, indirect,

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are Texas Pellets, Inc. (3478) and German Pellets Texas, LLC (9084). The Debtors' principal place of business and service address is 164 County Road 1040, Woodville, Texas 75979.

incidental, consequential or special damages (including, but not limited to, damages arising from the disallowance of a potential claim against the Debtors or damages to business reputation, lost business or lost profits), whether foreseeable or not and however caused, even if the Debtors or their agents, attorneys and financial advisors are advised of the possibility of such damages.

Bryan Gaston, the Debtors' Chief Restructuring Officer, has signed each of the Schedules and Statements. Mr. Gaston is an authorized signatory for the Debtors. In reviewing and signing the Schedules and Statements, Mr. Gaston has necessarily relied upon the efforts, statements, and representations of various personnel involved in the Debtors' businesses and their advisors. Mr. Gaston has not (and could not have) personally verified the accuracy of each and every statement and representation contained in the Schedules and Statements, including statements and representations concerning amounts owed to creditors, classification of such amounts, and creditor addresses.

GLOBAL NOTES AND OVERVIEW OF METHODOLOGY

Reservation of Rights. Reasonable efforts have been made to prepare and file complete and accurate Schedules and Statements; however, inadvertent errors or omissions may exist. The Debtors reserve all rights to amend or supplement the Schedules and Statements from time to time, in all respects, as may be necessary or appropriate, including, without limitation, the right to amend the Schedules and Statements with respect to claim description, designation, or Debtor against which a claim ("Claim") is asserted, to dispute or otherwise assert offsets or defenses to any Claim reflected in the Schedules and Statements as to amount, liability, priority, status or classification, to subsequently designate any Claim as "disputed," "contingent," or "unliquidated," or to object to the extent, validity, enforceability, priority or avoidability of any Claim. Furthermore, nothing contained in the Schedules and Statements constitutes a waiver of rights with respect to the Debtors' Bankruptcy Cases, including, without limitation, issues involving Claims, substantive consolidation, defenses, equitable subordination, and/or causes of action arising under the provisions of Chapter 5 of the Bankruptcy Code and any other relevant non-bankruptcy laws to recover assets or avoid transfers. Any specific reservation of rights contained elsewhere in the Global Notes does not limit in any respect the general reservation of rights contained in this paragraph.

Description of Cases and "As of" Information Date. On April 30, 2016 (the "Petition Date"), the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. **The asset and liability information provided herein represents the asset and liability data of the Debtors as of the Petition Date except as otherwise noted.**

To accurately schedule assets, Claims and other liabilities, the Debtors were required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, as well as reported revenues and expenses. Actual amounts could differ, including with respect to Claims that have been satisfied or otherwise resolved since the Petition Date (including with respect to payments authorized by the Bankruptcy Court), and the Debtors reserve all rights to amend the reported amounts of assets, liabilities, revenues and expenses to reflect changes in those estimates and assumptions.

Amendment. Although reasonable efforts were made to file complete and accurate Schedules and Statements, inadvertent errors or omissions may exist. Thus, the Debtors reserve all rights to amend or supplement their Schedules and Statements from time to time as may be necessary or appropriate.

Basis of Presentation. The Schedules and Statements, except where otherwise indicated, reflect the assets and liabilities of each Debtor on a nonconsolidated basis. Accordingly, the totals listed in the Schedules and Statements may well differ, at times materially, from any consolidated financial reports prepared by the Debtors for financial reporting purposes or otherwise.

Intercompany Claims and Transfers. Receivables and payables among the Debtors in these cases (each an “Intercompany Receivable” or “Intercompany Payable”) are reported in the Schedules. To the extent that a Debtor owes an Intercompany Payable, it is reported on Schedule E/F as a Claim against such Debtor. To the extent a Debtor has an Intercompany Receivable, it is reported on Schedule A/B as an asset of such Debtor. While the Debtors have used reasonable efforts to ensure that the proper intercompany balances are attributed to each legal entity, all rights to amend these items on the Schedules and Statements are reserved.

Intercompany transfers can be characterized in many ways. The Debtors reserve their rights with respect to the intercompany balances listed in the analysis, including, but not limited to, the appropriate characterization of such intercompany balances and the amounts of such balances, which are still being identified by the Debtors. Except as otherwise may be agreed to pursuant to a stipulation filed with the Bankruptcy Court, the Debtors reserve the right to change the characterization, classification, categorization, or designation of all Intercompany Payables and Intercompany Receivables.

Confidential or Sensitive Information. Certain information in the Schedules and Statements may have been intentionally redacted due to the nature of an agreement between a Debtor and a third party, concerns about the confidential or commercially sensitive nature of certain information, or concerns for the privacy of an individual. Any alterations will be limited to only what is necessary to protect the Debtor or third party and will provide interested parties with sufficient information to discern the nature of the listing.

Recharacterization. Notwithstanding the Debtors’ reasonable efforts to properly characterize, classify, categorize, or designate certain Claims, assets, executory contracts, unexpired leases, and other items reported in the Schedules and Statements, the Debtors may nevertheless have improperly characterized, classified, categorized, designated, or omitted certain items due to the complexity and size of the Debtors’ businesses. Accordingly, the Debtors reserve their rights to re-characterize, reclassify, re-categorize, re-designate, add, or delete items reported in the Schedules and Statements at a later time as is necessary or appropriate as additional information becomes available, including, without limitation, whether contracts or leases listed herein were deemed executory or unexpired as of the Petition Date and remain executory and unexpired post-petition.

SUMMARY OF SIGNIFICANT REPORTING POLICIES.

Current Market Value and Net Book Value. In many instances, the Debtors neither maintain, nor can readily ascertain, the current market valuations of their assets. Consequently, the valuations for assets listed in the Debtors' Schedules and Statements do not necessarily reflect current market valuations or the net realizable value. For this reason, amounts ultimately realized will vary, at times materially, from the valuations in the Schedules and Statements. Additionally, the amount of certain assets and liabilities may be "undetermined," and, thus, ultimate assets and liabilities may differ materially from those stated in the Schedules and Statements.

Personal Property. Personal property owned by the Debtors is listed in the Schedule A/B for that individual Debtor. To the extent that the Debtors have not been able to identify the actual physical location of certain personal property, the Debtors have reported the address of that individual Debtor's principal place of business.

Real Property and Personal Property–Leased. The Debtors may enter into agreements titled as leases for use in their businesses. All known underlying lease agreements are listed on Schedule G. However, nothing in the Schedules and Statements is, or shall be construed to be, an admission as to the determination of the legal status of any purported lease (including whether any lease is a true lease or a financing arrangement). The Debtors reserve all rights with respect to such issues.

Liabilities. The Debtors have sought to allocate liabilities between the prepetition and postpetition periods based on the information and research conducted in connection with the preparation of the Schedules and Statements. As additional information becomes available and further research is conducted, the allocation of liabilities between the prepetition and postpetition periods may change. Accordingly, the Debtors reserve all of their rights to amend, supplement, or otherwise modify the Schedules and Statements as is necessary or appropriate.

Creditors Holding Secured Claims. The values listed on Schedule D are all as of the Petition Date. Additionally, except as otherwise agreed pursuant to a stipulation and agreed order or general order entered by the Bankruptcy Court that is, or becomes, final, the Debtors and their successors reserve the right to dispute or challenge the validity, perfection, or immunity from avoidance of any lien purported to be granted or perfected in any specific asset to a creditor listed on Schedule D of any Debtor. Moreover, although the Debtors may have scheduled Claims of various creditors as secured Claims for informational purposes, no current valuation of the Debtors' assets in which such creditors may have a lien has been undertaken. The Debtors reserve all rights to dispute or challenge the secured nature of any such creditor's Claim or the characterization of the structure of any such transaction or any document or instrument (including, without limitation, any intercompany agreement) related to such creditor's claim. Reference to the applicable loan agreements and related documents and a determination of the creditors' compliance with applicable law is necessary for a complete description of the collateral and the nature, extent, and priority of any liens. Nothing in the Global Notes or the Schedules and Statements shall be deemed a modification or interpretation of the terms of such agreements or related documents.

Creditors Who Have Unsecured Claims. The Bankruptcy Court has authorized the Debtors to pay certain outstanding prepetition Claims, such as employee wages and benefits claims and claims for taxes and fees. Although not all Claims previously paid will be listed in the Schedules and Statements, certain of these claims that have been paid may appear in the Schedules and Statements. Regardless of whether such Claims are listed in the Schedules and Statements, to the extent that such Claims are paid pursuant to an order of the Bankruptcy Court, the Debtors reserve all rights to amend or supplement their Schedules and Statements as necessary and appropriate.

The Debtors may have certain rights of setoff and/or recoupment with respect to the Claims set forth on Schedule E/F. The Debtors reserve all rights to challenge such setoff and/or recoupment rights asserted. Additionally, certain creditors may assert mechanic's, materialman's, or other similar liens against the Debtors for amounts listed on Schedule E/F. The Debtors reserve their right to dispute or challenge the validity, perfection, or immunity from avoidance of any lien purported to be perfected by a creditor listed on Schedule E/F.

The Claims listed on Schedule E/F arose, or were incurred, on various dates, and a determination of each date upon which each Claim arose, or was incurred, would be unduly burdensome and cost prohibitive. Accordingly, not all such dates are included for each Claim. All Claims listed on Schedule E/F, however, appear to have arisen, or to have been incurred, prior to the Petition Date.

Credits and Adjustments. The claims of individual creditors for, among other things, goods, products, services, or taxes are listed as the amounts entered on the Debtors' books and records and may not reflect credits, allowances, or other adjustments due from such creditors to the Debtors. The Debtors reserve their rights with regard to such credits, allowances, and other adjustments, including the right to assert claim objections and/or setoffs.

Insiders. For purposes of the Schedules and Statements, the Debtors defined "insiders" pursuant to section 101(31) of the Bankruptcy Code as: (a) directors; (b) officers; (c) persons in control of the Debtors; (d) relatives of the Debtors' directors, officers or persons in control of the Debtors; and (e) debtor/non-debtor affiliates of the foregoing. The Debtors do not take any position with respect to: (a) any insider's influence over the control of the Debtors; (b) the management responsibilities or functions of any such insider; (c) the decision-making or corporate authority of any such insider; or (d) whether the Debtors or any such insider could successfully argue that he or she is not an "insider" under applicable law or with respect to any theories of liability or for any other purpose.

Executory Contracts and Unexpired Leases. Although reasonable efforts have been made to ensure the accuracy of Schedule G regarding executory contracts and unexpired leases, the Debtors' review is ongoing, and inadvertent errors, omissions, or over-inclusion may have occurred.

Any and all of the Debtors' rights, claims, and causes of action with respect to the contracts, agreements, and leases listed on Schedule G are hereby reserved and preserved. The Debtors hereby reserve all of their rights to dispute the validity, status, and enforceability of any contracts, agreements, or leases set forth on Schedule G and to amend or supplement such

Schedule as necessary. The contracts, agreements, and leases listed on Schedule G may have expired or may have been modified, amended, or supplemented from time to time by various amendments, restatements, waivers, estoppels, certificates, letters or other documents, instruments, and agreements that may not be listed on Schedule G. Portions of some contracts and leases that are listed on Schedule G may have been fully performed, while other portions of the same contracts and leases may remain executory or unexpired.

Certain of the contracts, agreements, and leases listed on Schedule G may contain renewal options, guarantees of payments, options to purchase, rights of first refusal, rights to lease additional space, and other miscellaneous rights. Such rights, powers, duties, and obligations may not be set forth on Schedule G.

Certain of the agreements listed on Schedule G may be in the nature of conditional sales agreements or secured financings. The presence of these agreements or any other agreements on Schedule G does not constitute an admission that any such agreement is an executory contract or unexpired lease.

The Debtors reserve all of their rights, claims, and causes of action with respect to the contracts and agreements listed on Schedule G, including the right to dispute or challenge the characterization or the structure of any transaction, document, or instrument. Certain executory agreements may not have been memorialized in writing and could be subject to dispute. Generally, executory agreements that are oral in nature have not been included in the Schedules.

Classification. The Debtors reserve all of their rights to re-characterize, reclassify, recategorize or re-designate Claims, assets, liabilities, executory contracts, unexpired leases and other items reported in the Schedules and Statements at a later time, as necessary or appropriate, as additional information becomes available.

Causes of Action. Despite their best efforts to identify all known assets, the Debtors may not have set forth in the Schedules and Statements all of their filed or potential claims and causes of actions against, and potential recoveries from, third parties or the values of any such claims. The Debtors reserve all rights to assert any and all such claims and causes of action, whether or not listed in the Schedules and Statements. Nothing contained in these Global Notes or the Schedules or Statements shall constitute a waiver of any such claims or causes of action, or in any way prejudice or impair the assertion of such claims or causes of action.

Claims Description. The Debtors reserve their rights to: (i) dispute, or assert offsets or defenses to, any Claim reflected on the Schedules on any grounds, including, but not limited to, amount, liability, priority, status, description or classification, or (ii) amend the Schedules to add one or more of the above-referenced designations to any Claim. Claim amounts that could not be readily quantified by the Debtors are scheduled as “unliquidated.” The description of an amount as “unknown” is not intended to reflect upon the materiality of such amount.

Guarantees and Other Secondary Liability Claims. The Debtors have used their reasonable efforts to locate and identify guarantees and other secondary liability claims (collectively, the “Guarantees”) in their executory contracts, unexpired leases, secured financings, debt instruments, and other such agreements. The Debtors’ review of their contracts

in such regard is ongoing. Where such Guarantees have been identified, they have been included in the relevant Schedule for the Debtor or Debtors affected by such Guarantees. The Debtors have placed Guarantee obligations on Schedule H for both the primary obligor and the guarantor of the relevant obligation. Such Guarantees were additionally placed on Schedule D or Schedule E/F, as appropriate, for each guarantor. Further, certain Guarantees embedded in the Debtors' executory contracts, unexpired leases, secured financings, debt instruments, and other such agreements may have been inadvertently omitted. Thus, the Debtors reserve their rights to amend the Schedules to the extent that additional Guarantees are identified. In addition, the Debtors reserve the right, but shall not be required, to amend the Schedules and Statements to recharacterize or reclassify any such contract, lease, claim, or Guarantee.

Although the Debtors have made every effort to ensure the accuracy of Schedule H regarding Co-Debtors, inadvertent errors, omissions, or inclusions may have occurred. The Debtors hereby reserve all rights to dispute the validity, status, and enforceability of any obligations set forth on Schedule H and to further amend or supplement such Schedule as necessary.

The Debtors further reserve all rights, claims, and causes of action with respect to the obligations listed on Schedule H, including the right to dispute or challenge the characterization or the structure of any transaction, document, or instrument related to a creditor's claim. The listing of a contract, guarantee, or other obligation on Schedule H shall not be deemed an admission that such obligation is binding, valid, or enforceable.

In the ordinary course of their business, the Debtors are involved in pending or threatened litigation and claims arising out of the conduct of their business. These matters may involve multiple plaintiffs and defendants, some or all of whom may assert cross-claims and counterclaims against other parties. Because such claims are listed elsewhere in the Statements and Schedules, they have not been set forth individually on Schedule H.

Schedule H also reflects guarantees by various Debtors. The Debtors may not have identified certain guarantees that are embedded in the Debtors' executory contracts, unexpired leases, secured financings, debt instruments, and other such agreements. Further, the Debtors believe that certain of the guarantees reflected on Schedule H may have expired or may no longer be enforceable. Thus, the Debtors reserve their right, but shall not be required, to amend the Schedules to the extent that additional guarantees are identified or such guarantees are discovered to have expired or unenforceable.

Totals. All totals that are included in the Schedules represent totals of all known amounts included in the Debtors' books and records as of the Petition Date. To the extent that there are undetermined amounts, and to the extent that the Debtors made authorized post-petition payments on prepetition claims, the actual total may be different from the listed total.

Undetermined Amounts. The description of an amount as "unknown" or "undetermined" is not intended to reflect upon the materiality of such amount.

Cross-Disclosure. Disclosure of information in one Schedule, one Statement, or an exhibit or attachment to a Schedule or Statement, even if incorrectly placed, shall be deemed to be disclosed in the correct Schedule, Statement, exhibit, or attachment.

Intellectual Property Rights. Exclusion of certain intellectual property shall not be construed to be an admission that such intellectual property rights have been abandoned, have been terminated, or otherwise have expired by their terms, or have been assigned or otherwise transferred pursuant to a sale, acquisition, or other transaction. Conversely, inclusion of certain intellectual property shall not be construed to be an admission that such intellectual property rights have not been abandoned, have not been terminated, or otherwise have not expired by their terms, or have not been assigned or otherwise transferred pursuant to a sale, acquisition, or other transaction. Accordingly, the Debtors reserve all of their rights with respect to the legal status of any and all intellectual property rights.

Currency. Unless otherwise indicated, all amounts are reflected in U.S. dollars.